

**State Employee Benefits Advisory Council Meeting**  
**March 6, 2009**  
**Statewide Benefits Office**  
**Dover, Delaware**

The State Employee Benefits Advisory Council met on March 6, 2009 in the Statewide Benefits Office, 500 W. Loockerman St., Suite 320, Dover, Delaware. The following Council members and guests were present:

Ed Tos, Chair, SEBAC, DOL  
(Via conference call)

Christine Long, SEBAC, DHSS

Meaghan Brennan, SEBAC, OMB

(Via conference call)

Thomas Chapman, SEBAC/DSEA

Judy Anderson, DSEA

Tim Barchak, DSEA

Brenda Lakeman, OMB, SW Benefits, Director

Faith Rentz, OMB, SW Benefits

Ann Skeans, SW Benefits

Mary Thuresson, OMB, SW Benefits

Ms. Lakeman called the meeting to order at 1:05 p.m. Introductions followed. Mr. Tos, via telephone, requested Ms. Long act as Chair.

**1. Approval of Minutes**

Ms. Long requested a motion to approve the February 20, 2009 SEBAC minutes. Mr. Chapman made the motion to approve the minutes and Mr. Tos seconded the motion. Upon unanimous voice approval the motion passed.

**Agenda Items Discussed:**

**2. Update of SEBC activities/Old Business – Group Health Program FY10 Planning/  
New Business/SEBAC comment to SEBC**

Ms. Lakeman stated the last three SEBC presentations were available for review and discussion. Mr. Tos asked what would be the revenue generated with a fifty percent premium rate increase across all plans. Ms. Lakeman stated it would be \$15.1M and is an alternative proposal for next week's SEBC meeting.

Membership (about 1,000), co-pays, out of pocket deductibles and usage of the First State Basic Plan were discussed. The group was reminded that in-network preventative care under the plan is covered at 100% of the allowable charges. The health plan surplus balance is \$28M as of the end of January and it is projected to be approximately \$25M at end of fiscal year 2009. Ms. Lakeman stated that caution must be taken regarding use of the surplus to fund the projected health fund deficit. Discussion occurred regarding the reserve which exists to pay claims that have been incurred by members of the Group Health Insurance Program but have not been submitted to the medical carriers for payment. Claims are analyzed periodically and adjustments are made to ensure that the health fund maintains an adequate amount of reserve funds to pay unpaid and unexpected high dollar claims. When this analysis is conducted using FY09 claims, a portion of the existing surplus will most likely be used to increase the current reserve being carried on the Fund & Equity reporting. The Statewide Benefits Office will recommend to the SEBC that the use of health fund surplus toward the FY 2010 shortfall not exceed \$20M.

Savings as a result of eliminating double state share (DSS) was discussed. It was explained that these savings would be to the state, not to the health fund. If eliminated, the employee share (currently paid by the state) would be paid by the employee. The health fund will continue to receive the full amount of the premium. There would be intense reaction from employees if DSS were eliminated. Mr. Tos stressed he would like the SEBAC recommendation to include a fifty percent across the board premium rate increase for employees and that any proposal to double employee contributions should be avoided. The same percentage increase in employee contributions for all health plans is considered to be equitable and would be more acceptable to employees.

Ms. Rentz explained how projected expenditure figures can change in either direction. Ms. Long stressed that it is important how information is presented to employees. The DelaWELL program has helped improve employees' health overall; however, they may feel their efforts to improve their health were insignificant if they are forced to pay considerably more for health care. She asked about the stimulus package and funds appropriated to Delaware and if any of those funds were available to offset the health fund shortfall. Ms. Rentz stated money coming into Delaware through the stimulus bill will be used in specific areas and that at best, may put the funding included in the Governor's Recommended Budget at less risk of being lost as the budget moves through the process.

Ms. Brennan added that it does not mean more money is on the table, it means that the severity of the state's budget issue has been reduced slightly. It is a short term fix to a larger problem. Ms. Long added there is misunderstanding about the stimulus package and that it is important that employees understand that the health fund budget is independent of and not affected by stimulus dollars and that employee increases and plan design changes should not be considered a negative consequence of the DelaWELL and wellness efforts everyone is undertaking. Mr. Chapman stated the stimulus funds are to help minimize the effects the economic downturn is having on state budgets. The funds will help keep individuals employed. The state's economy would further suffer if large numbers of employees were laid off. Ms. Lakeman stated that layoffs would not necessarily decrease enrollment and expenses to the Group Health Fund if these individuals elected COBRA. There is now a subsidy for COBRA for those who are laid off between September 1, 2008 and December 31, 2009. The subsidy increases the likelihood that individuals will remain in the Group Health program.

Ms. Lakeman explained that the Health Fund deficit could have been as high as \$80M through FY 2010 (based upon trend projections used during the FY 2009 budget process); however, the problem is significantly less. This better than projected performance could be a direct result of many individuals utilizing the benefits of the DelaWELL program and making healthy lifestyle changes. Approximately \$2.5M remains of the funds appropriated by the SEBC in November 2007 for the DelaWELL program. Mr. Tos suggested that the wellness funding should be back on the table to use toward the budget shortfall. Ms. Lakeman stated the SEBC will have to decide on continuation of the DelaWELL program and use of the remaining \$2.5M. To avoid co-pay increases, increases in prescription co-pays and imposing a \$250 deductible to the Medicare primary retirees, Mr. Tos suggested the SEBAC recommend using the \$2.5M to close the health fund gap.

Per Mr. Chapman's request, Ms. Lakeman stated the proposed plan changes and savings which had been presented to the SEBC:

\$4.1M in savings from co-pay increases for lab, x-ray, emergency room, PCP and Specialist visits;  
\$4.0M in savings through a \$250 deductible on the Medicare Supplement plan

\$6.3M in savings through Prescription Plan modifications and contract renegotiation

Mr. Chapman said the \$250 deductible for the Medicare Supplement plan would be difficult for retirees to accept. Ms. Lakeman explained the state's OPEB liability and the need to make changes to retiree health coverage to reduce this liability and to ensure retiree benefits in the future. Solving the OPEB problem will require gradual change and long term strategy. Mr. Tos expressed that we have an immediate problem and state employees are being asked to shoulder a large portion of the increasing health care costs. Trying to address the OPEB problem this year might be too much. Consideration should be given to changes for people who are hired after a certain date; however, changing benefits and coverage for employees who have served the State with the expectation that they would have benefits in retirement will be a problem.

Co-pays and prescription changes were discussed. Mr. Chapman noted that during his participation in a recent meeting where these topics were discussed, it was found that while people did not like the proposed changes, they understood them. Mr. Chapman suggested use of an additional \$4M in surplus funds as opposed to the proposed co-pay increases. Discussion followed on the advantages of a sliding scale/percentage of pay structure to determine employee contributions; however, legislative changes are necessary.

Mr. Tos inquired about the estimated \$3M savings from prescription contract renegotiations for FY 2010. Ms. Lakeman stated these savings are a result of the Group Health Program negotiating better discount rates with Medco. A contract renegotiation last year resulted in similar savings and has contributed to the reduction in the health fund deficit through FY 2010. It is estimated that the savings in FY 2009 will be at least \$5M. This along with the additional savings projected in FY 2010 contribute to lower projected increases to the health fund. It was noted that there has never been a year in the history of the Group Health Program where health care expenditures did not increase. Each month the program is gaining approximately 100 additional spouses. Ms. Lakeman noted that the next SEBAC meeting should include discussion about a legislative agenda for the SEBC including what the SEBAC will support the SEBC pursuing.

Mr. Tos presented a proposal to generate an additional \$30.1M in savings to the health fund:

- \$15.1 Million 50% across the board increase in employee healthcare premiums
  - \$ 2.5 Million Use of remaining wellness funds
  - \$ 5.0 Million Additional health fund surplus applied ( \$15 + \$5 = \$20M surplus)
  - \$ 3.0 Million Medco contract renegotiation
  - \$ 2.4 Million Use of Medicare Part D subsidy
  - \$ 2.1 Million Elimination of the Smart Start 30 Before 90 Day Program
- \$30.1 Million

Discussion continued on all of the items proposed. The DSEA representatives presented copies of letters from them and the AFSCME that were sent to Ms. Visalli and which requested the vote on health benefits be delayed beyond the SEBC March 13, 2009 meeting. A delay in a vote by the SEBC will allow more time for meetings to convey information, review data and projections, get answers to questions and to prepare comments to present to the SEBC. Ms. Lakeman will convey to Ms. Visalli what SEBAC proposed today, but cannot assure the SEBAC that the same proposal will be presented to the SEBC at the March 13<sup>th</sup> meeting or that a vote on FY 2010 changes will be

delayed. It was noted that the SEBC must approve plan design and employee contribution changes before the final healthcare rates can be established. Two meetings of the SEBC will be needed to finalize both changes and the FY 2010 rates. Discussion followed about the different groups who participate in the Group Health Program and that the participants of some groups do not pay the full employee contribution. It was requested that the SEBAC Comment on the SEBC agenda for the March 13<sup>th</sup> meeting be moved to follow the FY 2010 Renewal Discussion.

Ms. Long stated how it is unfortunate that the SEBC cannot delay a vote until the impact of the federal stimulus package on the State's budget is understood. Mr. Chapman clarified the stimulus money must be used to fund specific programs and initiatives. Concerns about possible furloughs and the impact on employees, along with existing stress levels due to staff shortages, were voiced.

It was pointed out that after this shortfall is addressed, concerted effort needs to be placed on the long range issues. Ms. Lakeman stated the SEBAC needs to continue meeting between every SEBC meeting and determine where their support is on these long term issues. SEBAC meetings need to be consistent and well attended. Dates for upcoming SEBC and SEBAC meetings were confirmed.

Mr. Tos said he wanted SEBAC to approve or revise their proposed recommendation by mid week to have a comment ready for the March 13<sup>th</sup> SEBC meeting. SEBAC agreed to continue working on the recommendation during the week via phone. Ms. Long asked that Mr. Chapman share the DSEA's recommendations if they are different than what was presented today. Ms. Lakeman asked the SEBAC to try to reach consensus on at least some options if a complete package was not possible so these recommendations could be considered as part of the next presentation to the SEBC.

### **3. Public Comment**

None.

Ms. Long asked for a motion to adjourn. Mr. Chapman made the motion to adjourn and Mr. Tos seconded the motion. Upon unanimous voice vote, the meeting was adjourned at 2:45 p.m.

Respectfully submitted,

Mary Thuresson  
Administrative Specialist II  
Statewide Benefits Unit, OMB